

ISSUES

Big-Time Bullishness Amid the Crypto Pullback

By Matt McCall and Charlie Shrem June 11, 2021

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The foundation of our whole *Crypto Investor Network* is the fuse being lit under the altcoin market – a fuse we believe will generate one of the largest explosions of wealth in modern history.

Looking at the recent price of bitcoin and altcoins, some investors question that. These are the folks who react emotionally to shorter-term price swings and bail out when trading gets volatile. And yes, cryptocurrencies are volatile. We have known that from the get-go.

But the fuse being lit and the ultimate explosion in wealth are not based on prices right now. Or tomorrow. They are based on a long-term transformational trend and prices that explode over time.

Take it from a couple of guys who have been following the industry for a long time: The blockchain and the software that runs on it – namely altcoins – are going to change everything. You name it – credit cards, real estate, energy, e-commerce, electric vehicles, healthcare, voting, identity theft, and on and on.

Blockchain will rewrite how business is done and how personal fortunes are built in the modern age. It is the safest way to store and transfer information ever created. It's going to make everything more transparent, more secure, and more cost effective.

Keep in mind perhaps the two most important facts that illustrate the opportunity:

Everything will soon run on the blockchain as it becomes the new internet.

The only way to have direct ownership in this groundbreaking technology is through altcoins.

This revolution is already underway, and we continue to expect a huge rush into cryptocurrencies in the coming years as businesses, consumers, and big-money investors realize what's going on.

And believe us, they are. We saw that in the largest bitcoin event ever last weekend.

Bitcoin 2021 Takeaway: “There’s Nothing More Important”

More than 50,000 people from around the globe descended upon crypto-friendly Miami, Florida on June 4 and 5 for Bitcoin 2021, the largest bitcoin conference ever.

Charlie was one of those. As one of the first to see the original bitcoin white paper, he said, “I can’t believe it’s been 10 years since it all started for me.”



Charlie will share more about the event and his inside perspective in the future. For today, we want to bring you up to date on some of the most important developments at the conference – including one whopper that came at the end.

Based on the incredible turnout and the overwhelming enthusiasm, it's safe to say bitcoin remains in great shape. The fact that it is more than 40% off its all-time highs – from just two months ago – is a big buying opportunity if you are looking to get in. We recommend altcoins here in *Crypto Investor Network*, but we are bullish on them because we are first bullish on bitcoin. (We'll dive into bitcoin's recent trading next.)

First, there was an all-star list of speakers from CEOs to hedge fund managers to some of the biggest bitcoin influencers out there, like Charlie, as well as...

- Tim Draper – a venture capitalist who has also invested early in Baidu, Hotmail, Skype, Tesla, Twitter, DocuSign, Coinbase, and other highly successful and recognizable businesses.
- Mike Novogratz – noted hedge-fund manager and current CEO of Galaxy Investment Partners, which focuses on cryptos.
- Jack Dorsey – co-founder and CEO of Twitter and Square, one of the leading digital payments companies that is also making cryptos more widely accessible and easier to trade.
- Michael Saylor – CEO of MicroStrategy, a \$5 billion software company that is a pioneer in corporations moving a portion of the cash on their balance sheets into bitcoin.
- Cameron and Tyler Winklevoss – twin brothers who were Olympic rowers, there at the beginning of Facebook (which ended in a huge dispute with Mark Zuckerberg), and now bitcoin billionaires and founders of the Gemini crypto exchange.

The big topics discussed at the conference were ones we have talked about here in *Crypto Investor Network* – bitcoin as an inflation hedge (which is big in the news right now), the need for monetary freedom, how digital assets will improve efficiencies, how the Federal Reserve is printing money and devaluing the dollar, and more.

We would sum it all up this way:

Bitcoin – and altcoins even more – provide solutions to and a better way forward from the traditional financial system.

Michael Saylor hit one of the big highlights talking about bitcoin as an alternative to the decreasing dollar. Given the near certainty that a dollar today will be worth less a year from now, he believes it is better to hold bitcoin than cash – and we think it's even better to hold top quality altcoins.

Here's what he said:

What I was doing with bitcoin was, I was saying I don't want to decapitalize the company. I want to keep the capital or grow the capital... The big breakthrough is I can convert my cash from a liability to an asset... And then we realized that if that asset is going to go up by more than 10% a year and you can borrow money at 5% or 4%, or 3%, or 2%, then you should pretty much borrow as much money as you can and flip it into the asset.

A few days after the conference ended, he put his money where his mouth was. On Tuesday, he announced that MicroStrategy will issue \$500 million more in debt to flip it into bitcoin. That's how much he believes in bitcoin's superiority to cash.

MicroStrategy is the largest publicly traded company with bitcoin on its balance sheet. The company holds 92,079 bitcoins, which reportedly cost it \$2.25 billion. They are now worth about \$2.9 billion. Even with bitcoin's significant correction, this strategy is paying off nicely for the company.

We were also struck by the words of Jack Dorsey, the well-known CEO of Square and Twitter. We think you will find them striking too.

He participated in a discussion titled "Banking the Unbanked," which focused on the hundreds of millions of people around the world who don't have access to the banking system. Bitcoin – and altcoins – can bring these services to these unbanked citizens around the world.

Check out his very strong thoughts (underlines added for emphasis):

For me, bitcoin changes absolutely everything. What I'm drawn to most about it is the ethos, what it represents. The conditions that created it are so rare and so special and so precious and I don't think there's anything more important in my lifetime to work on. I don't think there's anything more enabling for people around the world.

Whatever I can do, whatever my companies can do, to make it more accessible to everyone is how I want to spend the rest of my life. If I were not at Square or Twitter I'd be working on bitcoin. If it needed more help than Square and Twitter, I would leave them for bitcoin.

Wow.

Can you imagine someone who started and leads two of the world's most successful companies saying he would leave them if bitcoin needed him more? That's an incredible endorsement for both bitcoin and cryptocurrencies in general. (It also tells us he doesn't think bitcoin needs any help.)

Now, for the whopper at the end of the conference: **The President of El Salvador, Nayib Bukele, announced that he was going to make bitcoin a form of legal tender in his country.** That means bitcoin must be accepted if offered in payment of a debt, and politicians in seven other Latin American countries indicate that they are interested in doing the same.

El Salvador is a small nation. It has a population of only 6.4 million, which is less than New York City and smaller than the state of Massachusetts. And yet, it becomes the first nation on Earth to adopt bitcoin as legal tender.

As Charlie said, "One small step for El Salvador, one giant leap for mankind."



El Salvador's bold move lays the groundwork for even wider adoption and utilization. We could see a snowballing effect with more and more countries making bitcoin a legal currency.

Disruption is what blockchain and cryptocurrencies are all about. We saw that again at the conference.

Disruption is also what investing is all about. The bigger the disruption, the bigger the gains.

That's why we're here.

6 Signs Bitcoin May Be About to Trend Higher

Bitcoin is the first, biggest, and most important cryptocurrency. That's why we spend so much time observing it and analyzing it. Think of it like the S&P 500 or Wilshire 5000 stock market indexes that give you the best picture of the market as whole.

Then, think of altcoins as smaller stocks with more potential. As bitcoin goes, so go altcoins... only bigger and better.

The transformative technology that is blockchain will take time to change everything it can change, so you know that we are long-term investors. At the same time, there are several indications that the selling in bitcoin may be about to end... and that's when we expect it to resume its march toward \$100,000.

Here are six indicators flashing good news right now:

Bitcoin's trading range: Since the massive drop on May 19, bitcoin has been stuck in a range between \$31,000 and \$40,000. It has been a relatively stable trading range, with bitcoin moving from the bottom of the range to the middle this week.



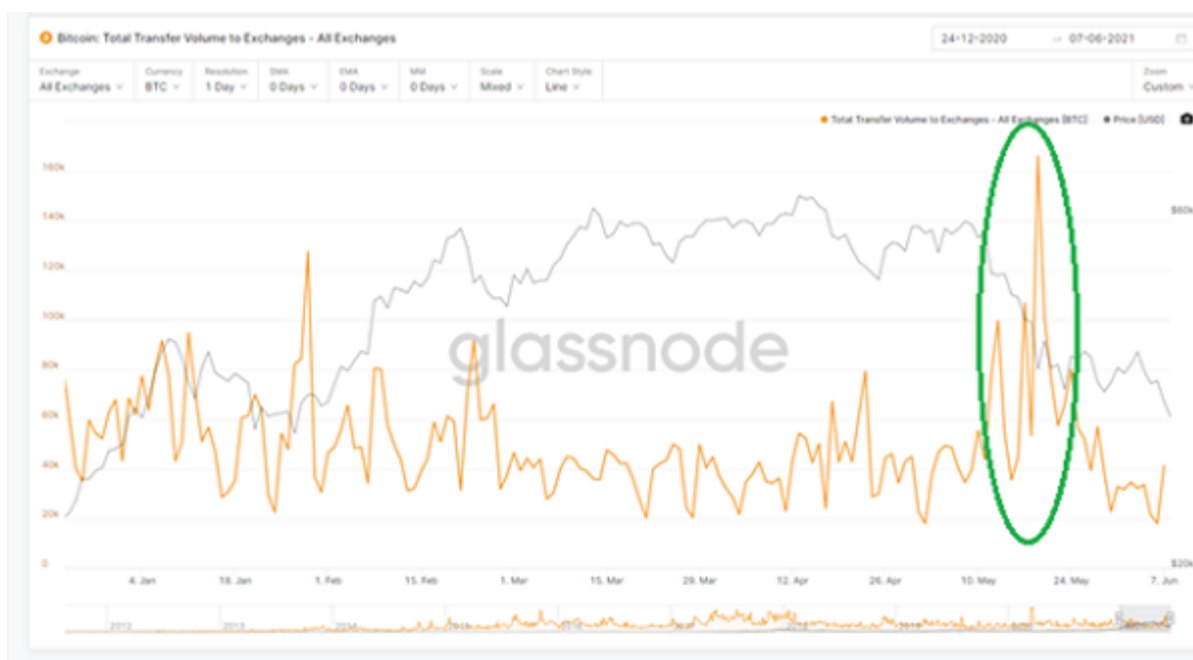
If bitcoin were to break below \$31,000, we expect the drop would be short-lived and that buyers would come in heavily in the mid-\$20,000s.

If bitcoin breaks about \$41,000, it could well be the beginning of its march to \$100K. And whether that happens now or we need to wait a little longer, altcoins should outperform bitcoin along the way.

Selling volume is diminishing: The only reason investors move bitcoins to an exchange is to sell them, so we can gain important insight looking at the total number of coins transferred to exchanges. The good news is this total transfer volume remains relatively low.

The amount of bitcoin transferred to exchanges peaked on May 19. As panic selling set in, more than 166,000 bitcoins were transferred. Other big transfer days included May 13 (about 100,000 coins) and May 17 (about 107,000). This indicated a lot of selling

pressure, and the price action reflected this. There simply weren't enough buyers to absorb this increase in exchange supply.



At the beginning of this week, only about 40,000 coins were moved onto exchanges – about half as much as the big sell-off days. That's a bullish signal. It's the equivalent of selling volume dropping in the stock market.

Fewer leveraged liquidations: We see a strong link between the massive selloffs on May 12 and 19 to high open interest in futures and leverage. As the price dropped, investors rapidly sold these leveraged positions, putting more downward pressure on the price. You can see the huge liquidations on April 16, May 12, and May 19.



But over the last 21 days, forced sales in the futures markets have stabilized, and total liquidations have dropped to low levels. This significant drop should prevent sustained significant price drops.

Open interest in bitcoin futures has also dropped significantly since the high levels from May 12-19. The pattern looks like bitcoin's price chart and its recent trading range. With low open interest and liquidations, price volatility should stay more muted than the mid-May craziness.



Once bitcoin breaks out from its trading range, futures open interest will probably increase rapidly. But in that case, it should help drive the price higher as short-term traders make bets based on the strength of the breakout.

Money on the sidelines: With stocks, analysts watch the amount of cash in money market accounts because that is basically money on the “sidelines” ready to be invested. With bitcoins and cryptocurrencies, we look at the amount in stablecoins, which are tied to the U.S. dollar and are basically crypto money market accounts.

In particular, we look at the stablecoin supply ratio, or SSR. This is the ratio between bitcoin supply and the supply of stablecoins denoted in BTC. We get this ratio by dividing the bitcoin market cap by the stablecoin market cap.

When the SSR is low, there are more stablecoins relative to bitcoin... meaning more bitcoin “buying power.” That’s exactly what we see with the orange line below – the

lowest SSR yet in 2021.



This tells us that there is a lot of money on the sidelines *ready to be redeployed into crypto specifically*. If traders and investors planned on getting out of cryptos altogether, they would be moving that money back into fiat currencies like the dollar to deploy into more traditional assets. They are not. They are holding that money in stablecoins, an indication that it will make its way back into cryptos.

What's more, all of this “dry powder” on the sidelines can act as a significant catalyst once we see a breakout.

Fear and greed: All investing markets act emotionally, and that's especially true with cryptos. It's just human nature to get greedy when prices are going up, which results in FOMO, or “fear of missing out.” Conversely, people tend to react with just plain fear in the face of falling prices, so they tend to sell.

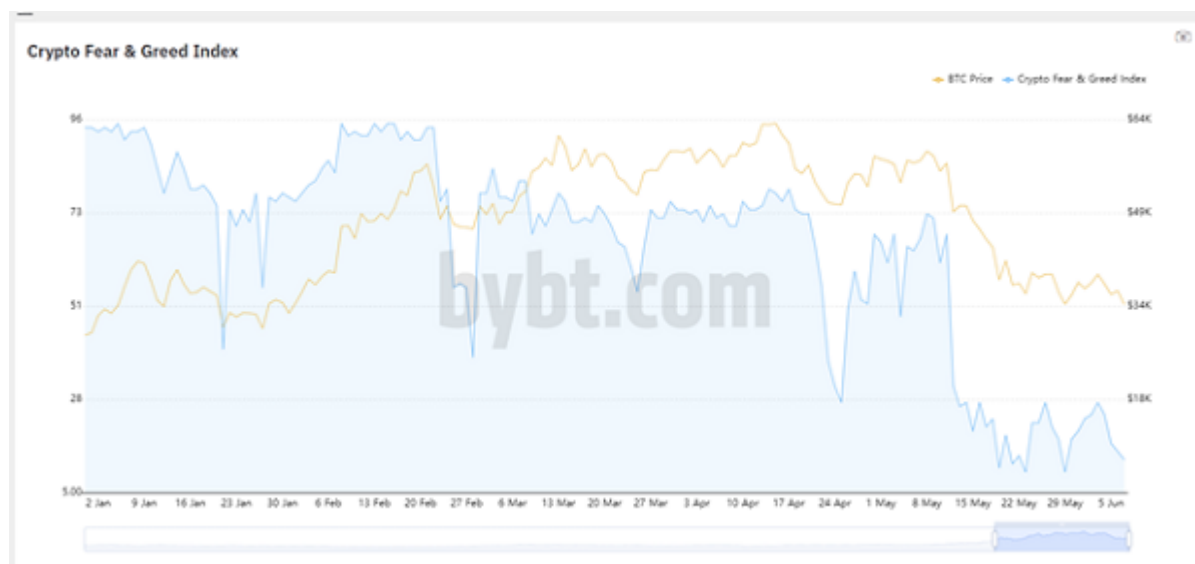
This behavior can be quantified in the Fear and Greed Index. This is the heart of contrarian indicators, and we are big fans. Extreme fear means investors are overly worried and willing to part with their cryptos at really low prices – which gives us a buying opportunity. Extreme greed means a correction is due, and those of us who are long-term investors hang on rather than trying to time every price move.

In the world of cryptos, the Byte Fear and Greed Index takes six measurements into account – volatility, market momentum, social media, surveys, market cap dominance

and trends. Data from all these categories are crunched together to measure market sentiment. A score of 0 would indicate extreme fear while 100 means extreme greed.

So where's the reading now?

All the way down to 13! (See the blue line below).



Over the last month, we've seen the lowest readings of the year, confirming what we already know – there is a lot of fear in the crypto market right now.

It won't stay that low. It never does. The transformation and trend are too powerful, which means these unusually low prices are a great buying opportunity in bitcoin and the strongest altcoins that we expect to surge a lot higher over time.

Analysis from Santiment confirms this as well as what we have talked about for months – the “smart money” is buying the dips. In this case, Santiment shows that bitcoin wallet addresses holding 1000+ coins – or more than \$3,650,000 in bitcoin – are adding as the fear and panic rises.

Santiment
@santimentfeed

 **#Bitcoin**  whale addresses holding 1k+ **\$BTC** are back to holding 7.88M tokens. This is the largest amount of **\$BTC** held by whales since Mar 14. This coincides with just 2.65M **\$BTC** held by addresses with 10 or less **\$BTC**, their **SMALLEST** amount in 6 months. app.santiment.net/s/K7i6FZdQ?utm...

Bitcoin Whale Addresses Continue Accumulating on Discounted Prices, Small Addresses Dumping
Bitcoin (\$BTC) Supply Distribution (For Sanbase PRO Members)

Behavior Analysis Platform



BTC Whale Addresses Own Their Largest Amount in Nearly 3 Months

BTC Small Addresses Have Hit a 6-Month Low in Tokens Held

3:49 PM · Jun 5, 2021 · Twitter Web App

And be sure to look at the bottom of that graphic. The smallest address – those with 10 bitcoin worth \$365,000 or less – are selling into that panic and fear.

The trend hasn't slowed, and the big money continues to catch on.

Based on the incredible turnout and the overwhelming enthusiasm at the Bitcoin 2021 conference as well as the recent data we just went through, bitcoin remains in outstanding shape even with the recent sell-off that amounts to nothing more than a speed bump on the road to higher prices.

That is even truer for altcoins. When bitcoin gets volatile, that volatility is often magnified in the altcoin markets. But the opposite is also true, which is most important for us. That's where we see the big money being made over time.

Let's now check in on our *Crypto Investor Network* coins, starting with one we want to sell.

Sell ETN

Electroneum (ETN) has traded mostly sideways over the last month, hovering right around \$0.009. We have been watching for a bounce, but it has yet to gain much traction with the overall sector remaining under pressure.

As we said last month, we are also concerned about the situation in Africa, which is where we saw real opportunity for Electroneum to bring banking services to the unbanked in third-world countries. That opportunity also caught the attention of Cardano (ADA), a much bigger crypto.

Electroneum is the 254th-largest coin with a \$159 million market cap. Cardano is the fifth largest with a market cap of \$47 billion.

The bottom line is that Cardano brings stiff competition to Electroneum, and its business prospects in Africa are not nearly as attractive as they once were. That threatens our long-term upside potential, which is why we want to go ahead and take our profits now.

Sell ETN. It is up a nice 80% since it was one of our initial recommendations last September. It has outperformed the stock market (S&P 500) by 2.5X in that time.

With the pullback bringing down so many altcoins to bargain prices, we are busy surveying the landscape now and expect to take advantage of new opportunities soon. Stay tuned.

Updates on our Recommended Coins

Monero (XMR) is down since we added it last month, which isn't the most fun way to start, but it doesn't change our outlook.

Looking at the chart, Monero is holding its 200-day EMA (exponential moving average) even amid the overall downdraft, which is a good sign of stability.

More fundamentally, the Monero project has an extremely loyal user base, something we look to see. In fact, Monero's base takes this to another level. The Monero general development fund just received an anonymous donation of 1,711 XMR, or approximately \$500,000. That certainly indicates a lot of support for the project.

In addition, Kraken recently announced that customers will be able to buy, sell, deposit, and withdraw Monero in 48 states. Kraken is one of the largest centralized crypto exchanges, so this is a very positive development for XMR as a currency, which is the primary use case.

Or at least it has been.

Perhaps even bigger, the Secret Monero Bridge test net is now live! This effectively brings Monero to center stage into the decentralized finance (DeFi) sector, which is still the strongest in crypto. Monero is the most advanced privacy coin available, and it now has DeFi functionality.

This bridge which will allow holders to use Secret Network's private DeFi ecosystem, swap to other assets, and more. The Monero team explains that the Secret Bridge brings programmable privacy to assets from other ecosystems, allowing them to enter Secret Network as privacy-preserving "Secret Tokens."

Secret Tokens are a fascinating and powerful concept. They are hybrid tokens in a sense. They are programmable like ERC-20s (an Ethereum standard) and usable in applications, but they remain private by default like Monero and similar coins. Interactions with Secret Token contracts are encrypted, viewable only to address owners or holders of their viewing key.

Privacy is one of the main draws of Monero, and Secret Tokens open it to more applications and thus more growth potential. **XMR remains a strong buy at these prices and up to our \$430 limit.**

Polkadot's (DOT) ecosystem continues to be very active, which is the key. That means the recent decline in price is likely just a side effect of selling in the overall crypto market.

Here's a good example of the activity. This week, the team behind Polkadot announced that bidding will begin soon for Polkadot parachains. Crypto projects and developers will essentially compete to secure a place in the Polkadot ecosystem. The minimum bid is \$20 million worth of DOT. They couldn't command that price unless Polkadot remains in very high demand.

Polkadot parachains are the first 100% decentralized heterogeneously-sharded blockchains. We won't go into the technical definition of it, but it means they are highly customizable. These parachains enable multichain applications, where one transaction can trigger a bunch of different changes across different blockchains.

Bottom line... this technology could lead to a whole new era of blockchain applications that are more advanced, more useful, and more efficient.

Altcoins are already advanced, but this reminds us that the innovation never stops. Polkadot's parachains are a major leap forward in blockchain technology, and with their auctioning and deployment just beginning, Polkadot looks in great position to outperform the rest of the crypto market in the coming months.

Buy DOT up to \$41. It remains well off its May highs and is a strong buy at current prices. It can be purchased on Kraken or Bittrex.

Stellar Lumens (XLM) doubled from \$0.40 at the beginning of April to \$0.80 in mid-May... and now it is back down under \$0.35. That's the story of crypto recently, but it won't be the story forever.

Even with that drop, Stellar Lumens has outperformed bitcoin. XLM's price rose 37% from 700 satoshis (one 100 millionth of a bitcoin) at the beginning of April to 960 currently.

Stellar just underwent a major upgrade on June 1 called Protocol 17. This upgrade implements "asset clawback," which allows businesses to take back or freeze their Stellar network assets in the event of fraudulent activity.

The upgrade brings Stellar's network into full regulatory compliance. Businesses will now be able to issue fully compliant assets that have built-in fraud protection on the network.

XLM is a good buy while it is under \$0.65. You can find it listed on Coinbase.

The Graph (GRT) launched in December and quickly skyrocketed from \$0.12 to \$2.70. This rally was fueled in part by the bullish crypto market at the time, but also because the The Graph platform has powerful indexing technology that can search blockchain databases much more efficiently and quickly than traditional methods.

If that sounds like a search engine, The Graph has indeed been nicknamed the "Google of the Blockchain." It has big potential to strongly enhance decentralized apps, or dApps.

Things have been quiet on the news front, so this altcoin has traded like so many others. After that initial surge post launch, it has come down to prices that have bounced around \$0.75 over much of the last month.

Long term, we look for increased development and adoption in the future, leading to higher prices. For now, **GRT remains a strong buy up to \$1.90.**

Uniswap (UNI) went on a long tear from last November until last month when overall volatility interrupted its stratospheric ascent. It hit an all-time high of \$45 in early May, fell all the way down to \$14, and has since bounced back to the \$25 area.

UNI's fall is also tied to Ethereum's (ETH) big drop from \$4,300 to \$2,600 this past month. All the tokens traded on Uniswap are Ethereum-based and denominated relative to Ethereum.

As Ethereum fell, a large portion of ETH-denominated tokens on Uniswap fell also. And you know what happens then. It undoubtedly triggered a panic-selling chain reaction.

Despite all that, UNI continues to have a very active exchange, a powerful global community, and a very active developer team. This puts it in great position to rally as soon as the overall market turns bullish again.

Also important, developers are planning to bring liquidity mining back to Uniswap, which is where users can provide liquidity on Uniswap. This will be big news once it comes to fruition, and we will keep you posted.

UNI is a buy below \$35. Like several of its peers, the coin can be bought on Coinbase.

A New Word...

When we started *Crypto Investor Network* last September, we talked about how blockchain, bitcoin, and altcoins were going to change so much about our lives. From the big stuff like buying a home or paying your taxes to how you pay for a pizza and everyday goods and services.

We called it “The Awakening,” and we said that as the world realized the changes that are coming, it would drive price of bitcoin – and the strongest “altcoins” – to never-before-seen heights.

In the nine months since, we have seen this awakening continue to unfold right before our eyes. Big money is increasingly recognizing the value of cryptocurrencies as investments. Major corporations are investing in bitcoin and cryptos. Digital payment providers are making cryptos easier to buy and sell, and easier to use. There are bitcoin credit cards and debit cards.

And in another major step forward, crypto investments are now coming to 401(k) accounts. Coinbase, one of the biggest, easiest, and best-known crypto exchanges, is teaming up with ForUsAll, a leading 401(K) investment platform, to offer crypto investments in those retirement accounts.

This is a big deal. It is yet another onramp for investors that will draw more money into cryptos, especially altcoins because Coinbase is opening up its options.

And as we said earlier, bitcoin is a legal currency in an entire nation for the first time ever.

El Salvador's move to legalize bitcoin nationally puts us in the next phase of the awakening. With that in mind, we'll give the last word this month to Charlie... literally.

“Hyperbitcoinization.”

It's a mouthful, but it's true. It was one of the words he heard and used at the Bitcoin 2021 conference.

Charlie declared El Salvador's move a major step towards hyperbitcoinization that will further disrupt the traditional financial system.

It's remarkable because the government of El Salvador has no control over bitcoin. That's a departure from the way it has always been done. Governments have always controlled their currencies. But we now see that changing.

That's what we call disruption, and few people understand how disruptive separating money and the state will be.

Then again, few people understand the opportunities before us.

And that means that you are ahead of most every other investor out there. You are among the first in line to profit from the coming disruption and the multi-trillion-dollar tsunami of new wealth that will be created.

Have a great summer! We'll continue positioning ourselves for what's to come.

Sincerely,



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